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TÍTULO DEL TRABAJO  
EMPLOYEE PROFILE IN FAMILY FIRMS

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## **ABSTRACT**

In the context of an increasingly importance of family firms, the employee composition of these firms becomes more and more relevant since it is a valuable source of value-added for all companies. This paper aims to give a basic knowledge of the situation of Spanish family firms in comparison with that of Spanish non-family firms, by analyzing deeply the employee profile of family firms. To conduct the investigation, a database from SEPI Foundation has been used, with a particular focus on the analysis of the following variables: family and non-family firms, number of employees and different employee profiles. Results provide support on the less presence of qualified employees in family firms and might shed light on ways to combat the usual problem of underqualified employees in family firms.

## **KEYWORDS**

Family firms, qualified employee, t and ANOVA tests, employee profile.

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# 1. INTRODUCTION

## 1.1 Importance, motivation and objective

With over 90 percent of all American companies being family-owned businesses and responsible for around 40 percent of the Gross National Product, relatively little consideration has been given to this peculiar organizational structure (Wortman, 1992; Hollander & Elman, 1988; Beckhard & Dyer, 1983). Family firms play apparently, a big role in the current society. Indeed, the family business has a big importance for the Spanish economy. In Spain, according to “Instituto de la Empresa Familiar”, 89% of the firms are family firms (1,1 million of firms). This type of business, which is well-rooted in the Spanish society, is the largest generator of employment. It currently creates 67% of private employment, which accounts for more than 6.58 million of jobs, and contributes around 57.1% of total Spanish private sector’s GDP. What is more, 26% of the 1,000 Spanish largest companies are family firms. As a result, the importance of family firms in Spain cannot be denied. In addition, its relevance crosses frontiers, being family firms the companies with the highest turnover volume and job creation at a global level. It is estimated that, only in the European Union, there are up to 14 million EU family businesses that in turn generate more than 60 million of jobs in the private sector.

Narrowing the picture and as an indirect consequence of the high relevance of family business, the employee profile of this type of business cannot be ignored. The development of a qualified workforce is viewed as a necessity in all firms. It is therefore crucial to investigate employee profiles in family firms. The results of several studies conducted support the fact that having a qualified workforce is significantly correlated to firms’ success. This sentence illustrates the relevance of our study. Indeed, family firms tend to work toward a common family firm mission or objective. With this aim, family businesses hire employees that differ among themselves in their qualifications or skills.

Consequently, the purpose of this paper is to examine the profile of family businesses’ employees in Spain. From the foregoing arguments, it is clear that having a competitive workforce should be one of the biggest concerns in every single firm. So, the objective is to study deeply employee profiles and it is expected to find differences in these profiles among family and non-family firms. As it has been mentioned, it is felt that employee profiles differ between family and non-family firms; how to interpret these differences? What are the reasons that explain that a family firm has a lower percentage of qualified employees? Does firm’s size have an influence on employee profiles? Does family business have a lower firms’

size (number of employees) in comparison with non-family businesses? Does a family firm, with the same size as a non-family firm, have a lower proportion of qualified workers? In this paper, we will try to give answers to these questions. To this aim, I will provide an introduction to the basic concepts of family business and employee profiles and I will try to explain through an empiric study how family firms' employee profiles might differ from non-family firms' ones.

## **1.2 Contribution**

This paper tries to fill an existing gap in family business academic studies by analyzing employee profiles in family firms. Although it is true that the study of family businesses is currently in constant growth, research made show that there are few studies about family firms in terms of employee composition. Specifically, most studies on employees' composition focus especially on big firms which are usually successful multinationals, meaning that many (small) family firms have been traditionally excluded from these researches. But the magnitude of family firms has revealed the importance of studying as well family firms' employees and thus increase the scope of study. The conduction of this empirical study hopes to find conclusions of possible existing differences in employee profiles between family and non-family firms. This research is expected to help and improve family businesses employee selection processes when facing hard employment decisions.

The choice and idea that drives this project can be explained by my personal desire of giving the importance it deserves to family business' world, in terms of research papers. To my mind, and taking into account the fact that I have studied a degree of Business Administration, it is challenging and motivating for me to learn more about family businesses due to its evident importance in the labor market. This study is personally appealing since, from my point of view, one way to combat family businesses longevity problem is to do more and more research on the field, this could explain why some family business do not successfully overcome succession phases. Maybe the composition of employee profiles does play a role in all these challenges that family firms have to face. Not only would family business be aware of possible differences in employee profiles with respect to other types of businesses, but at the same time these family firms might be encouraged to reply employment policies of better performing non-family businesses with the final objective of improving family firms' employee workforce as a whole.

The rest of the paper is structured as follows: Section 2 presents the theoretical framework: a definition of family firm will be provided, some academic studies will be reviewed and

detailed, together with the presentation of the hypotheses to be tested; in Section 3, variables and methodology employed will be described; in Section 4, an analysis of data and an empirical study will be conducted, the results obtained will be as well presented. Finally, a discussion of the findings, conclusion and future research are presented at the end of the document in Section 5.

## **2. LITERATURE REVIEW AND HYPOTHESES**

### **2.1 Concept of family firm**

The official definition of family firm was agreed in 2008 by the European Family Business Group (EFB) and the Board of the Family Business Network (FBN), the two main international institutions in the field of family businesses.

There are some conditions that must be met in order to be considered as a family firm:

- The first condition is that the family must have the control of capital. The majority of the votes should be owned by the family who founded the company; or, are owned by the person who holds or has acquired the capital stock of the company; or, they are owned by their spouse, parent, child or the child's direct heirs.
- The second condition is the active participation of a family member in the management of the company. That is, at least one family member or relative must participate in the management or governance of the family business.
- In the case of listed companies, the definition of family business applies if the founder or, his relatives or descendants hold one fourth of the voting rights to which the share capital entitles him.

Nevertheless, it might be added one additional condition to these requirements, which gives the company a truly family character. This condition is the transmission or willingness to transmit the company to the next generation or, in other words, the joint desire of founders and successors to maintain ownership control, governance and management of the company in the hands of the next family generation. This generational continuity might be regarded even as a strategic objective for the company. (Instituto de la Empresa Familiar, 2020)

To summarize, the family firm is commonly defined as a family business that is controlled by the members of the same family in which the capital and, if appropriate, the management or governance are in the hands of the family (and individuals personally related to that specific family), that has the capacity to exercise sufficient influence over the business to

control it, and whose strategic vision includes the purpose of giving it continuity in the hands of the next family generation.

There are several criteria employed when classifying family businesses but we are going to focus on time criterion. Dimensional criterion is another typically used criterion that will be covered when defining the variables in Section 3 with respect to firms' size or number of employees. According to time criterion, family businesses are mainly classified in three main types of businesses according to generations:

- First-generation businesses. They usually have a simple internal organizational structure. Efforts are mostly focused on growing the business. It is therefore of high importance to train founder's successors to ensure the continuity of the firm.
- Second-generation businesses. The succession phase has been completed so that the founder has given relief to their children. Spouses are sometimes incorporated into the company. Some conflicts arise and business management becomes more complex.
- Third-generation businesses. Conflicts are now becoming more and more complex. Leadership problems are frequent, and there are also conflicts when making decisions about who can or cannot work in the firm...

Despite the fact that intergenerational problems are not been covered in this paper, it is interesting to classify firms in terms of generations since most family-firms fail in the succession phase, that is, there are few firms that successfully become second-generation family firms. As the number of generations increases, the complexity increases as well, leading to fewer family firms surviving in the long-term.

One study of "La Empresa Familiar en España" (2015) elaborated precisely by the network of "Cátedras de Empresa Familiar y el Servicio de Estudios del IEF" provides some interesting data on the specific importance of family businesses in the economy as a whole. It might be reminded some interesting data: approximately 90% of Spanish companies can be considered as family businesses, contributing around 60% of the country's GDP and two thirds of private employment. It is also remarkable the lesser weight of family businesses in the large business segment. Likewise, there are differences in the weight of family businesses by Autonomous Community. For instance, the weight of non-family business is greater in communities such as Basque Country, Madrid or Catalonia. In the following table, the percentage of family businesses over total businesses by Autonomous Community in 2016 can be appreciated, this table can be an illustration of the importance of family firms in Spain.

Table 1. Distribution of family and non-family businesses by Autonomous Community

	Family businesses	Non-family businesses	All	Percentage of family businesses
Andalusia	154,936	13,719	168,655	91.9%
Aragon	28,091	3,970	32,061	87.6%
Asturias	17,654	1,732	19,386	91.1%
Balearic Islands	29,946	4,682	34,628	86.5%
Valencian Community.	132,032	12,873	144,905	91.1%
Canary Islands	48,344	5,677	54,021	89.5%
Cantabria	5,322	455	5,777	92.1%
Castilla-La Mancha	43,477	2,612	46,089	94.3%
Castilla y León	27,279	2,941	30,220	90.3%
Catalonia	207,793	34,888	242,681	85.6%
Extremadura	16,069	1,500	17,569	91.5%
Galicia	62,900	5,178	68,078	92.4%
La Rioja	6,443	860	7,303	88.2%
Madrid	215,146	36,138	251,284	85.6%
Murcia	30,907	2,511	33,418	92.5%
Navarre	13,047	2,104	15,151	86.1%
Basque Country	42,557	7,858	50,415	84.4%
<b>SPAIN</b>	<b>1,084,617</b>	<b>137,024</b>	<b>1,221,641</b>	<b>88.8%</b>

Source: Instituto de la Empresa Familiar & Red de Cátedras de Empresa Familiar (2015)

## 2.2 Employee composition in family firms

A family firm can be described as an interaction between two isolated but associated systems- the business and the family-with dubious boundaries and distinctive rules. (Inc, 2006) In these firms, it is quite common that family members do not like outsiders being hired by the company since these family members are usually at the same time employees, shareholders, managers... That is the reason why most family firms tend to look first within the family to fill human capital gaps (Chang, Chrisman, & Chua, 2004); however, the reality is that it is often necessary to hire nonfamily members owing to the fact that family members are a limited resource. Indeed, the hiring of nonfamily members is a requirement for growth and expansion of firms (Chrisman *et al.*, 2007). This can be illustrated by the fact that 80% of the labor force in family firms are approximately nonfamily members (Mass Mutual Financial Group, 2007). As a result, nonfamily workers are consequently considered vital for the success of a family company (Sciascia & Mazzola, 2008) they are frequently instrumental in strategic decision -making (Mitchell, Morse, & Sharma, 2009), expanding into new markets (Chung & Luo, 2008; Graves & Thomas, 2006), growing social capital (Akhter *et al.*, 2015), enhancing financial capital (Stewart & Hitt, 2012), and improving the overall quality of the workforce of a family business (Chrisman *et al.*, 2014) Despite these apparent benefits from hiring nonfamily employees, it is true that family members often feel obliged to hire their relatives or close friends even if they lack the skills or ability necessary to make a valuable contribution to the business. What is more, once employed, these people can be especially difficult to fire because of their close relationship, however, they cost money to the firm and



undermine other employees' morale by showing a poor attitude or performance (Inc, 2006). It is actually quite common to hear complaints from non-family members in family-run businesses because some family relatives are underperforming or under qualified for the positions they are given and even behaving in a way that would get non-family staff undoubtedly fired. (McClure & Eckrich, 2020)

As a consequence, it is widely accepted that, in many family firms, family members have nearly a guaranteed job because the first criterion followed when hiring is usually family membership. However, in non-family firms the reality is different as people are hired mainly based on merit so that employees are thus selected because of their education, skills, aptitudes, and attitudes... It is obvious that if families use the family business as an employment agency without taking into consideration aptitudes and skills, the firm will inevitably suffer. Non-family businesses punish favoritism, however, most family businesses have informal rules where family relatives benefit not only from being the first candidates to recruit, but they also benefit from better salaries or higher management positions even over better-qualified non-family workers. (Zwick & Jurinski, 1999).

It seems then obvious that family firms have more trouble in attracting, hiring and retaining qualified and professional staff, and providing adequate training to employees. Thus, non-family companies are not only able to hire highly skilled and experienced workers but also more likely to invest money to train them and to gain the human capital require to build competitive advantage on the market. (Acquaah, 2016)

Nepotism, which is essentially the decision to recruit workers on the basis of personal relationships rather than qualifications, is assumed to be more prevalent in family businesses than in non-family firms (Bloom & Van Reenen, 2006; DGPYME, 2003; ESADE & Family Business Knowledge, 2006). What is more, nepotism decreases the firm's efficiency and have a negative effect on performance by discouraging the hiring of (family external) staff (Westhead *et al.*, 1997) However, there exists contradictory literature on the topic. For example, concerning working conditions, it is believed that family companies typically provide a better working atmosphere with stable business conditions that are generally correlated with continuous growth. This, in effect, leads to higher employee satisfaction and loyalty and thus less fluctuation and absenteeism. (DGPYME, 2003). A survey conducted in 2004 by the Association of Patrimonial Medium-Sized Enterprises stated that 79 % of the family firms spend more than the legally obliged 1.5 % of the total gross wages for vocational training. Nevertheless, in contrast to this, Kotey and Folker (2007) stated that family firms

are less likely to offer formal training to workers than non-family companies, and more focus is placed on technical than managerial skills in family-run businesses.

Developing a skilled and satisfied workforce will lead to empowered and dedicated workers who are more likely to achieve better results. It is also believed that family businesses are assumed to have a significant advantage because they can inspire and motivate their family and non-family talent by using HRM practices. (Smyrniotis, Zata, & Goel, 2013) In fact, it is clear that some of the most important firms in the world are family businesses, this could be the case successful companies such as Walmart, Ford, Mercadona or Inditex. Jacon Wallenberg, the chairman of Investor AB, which is the huge Swedish family-owned conglomerate stated the following in an interview: *“We must make certain that we are better educated, more knowledgeable and more on the ball than anyone else at the table”* Therefore while it is true that some family firms’ CEOs firmly believe that their business should have a competent workforce, however, it must be said that the majority of academic studies defend just an opposite reality.

At this point, it is about time to highlight the importance that employee profiles have in firms. Over the years, firms have recognized the need for manpower to flourish and be successful, and this is perhaps one of the most important business advancement ever made. In fact, every organization needs a mixture of manpower, machines and materials to produce output, although humans should be appreciated as the most important component of a firm. A common and historical definition of human resources would be the following *“the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees”* (Megginson, 1972, p. 209). People in the organization differ in abilities and capacities due to their specific qualifications and expertise (Kumar, 2014) and it appears to be obvious that employees’ characteristics might affect firms’ performance, illustrating the importance of having a competent workforce. For example, plant productivity has been shown to be higher in companies hiring employees with higher educational attainment (Cörvers, 1996; Eriksson & Lindgren, 2008; Galindo-Rueda & Haskel, 2005; Ilmakunnas *et al.*, 2004) In fact, workers with higher levels of specialized knowledge and skills are likely to be comparatively more capable of contributing to the performance of the company. In the same vein, highly educated employees are believed to possess greater levels of general human capital, allowing them to work more efficiently and to adapt more easily to technological change and new technologies, while providing a positive effect on their employers’ performance (Cörvers, 1996; Ilmakunnas *et al.*, 2004). The composition of a firm’s workforce may not only have an impact on the performance level, but also on the growth of its

productivity over time. As argued by Cörvers (1996), workers with higher-education staff may be more capable of detecting profitable innovations. Thus, companies with better trained employees have a higher probability of innovating rapidly and successfully, and will therefore experience higher productivity growth. While scholars are increasingly examining the connection between employee characteristics and firm performance, studies dealing with these topics are still remarkably scarce. (Kronenberg & Carree, 2010) Our study therefore contributes to the existing body of literature by investigating workforce composition on family firms.

### 2.3 Hypotheses

To begin with, as it has been already mentioned, family-owned businesses have more trouble in attracting, hiring and maintaining qualified and professional staff, and offering adequate training to employees. Non-family companies are thus not only more able to hire highly skilled and experienced workers but also more likely to invest money and time to train them and to gain the human capital required to build competitive advantage on the market (Acquaah, 2016) It is actually quite usual to hear complaints in firms where family members are underperforming or under qualified for the positions they are given and acting in a way that would get non-family employees undoubtedly fired. (McClure & Eckrich, 2020)

It is believed that family firms typically recruit family members first, disregarding their competencies or educational level. As a consequence, family firms would have apparently a lower mean proportion of qualified employees, we therefore want to check whether this statement is true. On the basis of the points mentioned above, our argument appears to be logical and in line with precedent literature, however, conclusions cannot be made before testing the following hypothesis.

Specifically, we want to test whether the average proportion of the diverse types of employees' profiles are different between family and non-family firms and we therefore expect that family firms have a lower average percentage of qualified employees. The first hypothesis is formulated as follows:

**Hypothesis 1** Family firms have a lower average proportion of qualified employees

Secondly, Ensary and Kiygi-Calli (2017, p. 33) declared that “*larger organizations have an advantageous position compared with smaller firms. Larger firms have more resources to follow up technological developments, employ more qualified employees and adopt expensive technology*” Likewise, Tachibanaki (1996) claimed that skilled workers appear to work in larger firms. Nevertheless, certain skilled and motivated employees prefer to work in smaller firms since they are able to receive

better pay comparable to larger firms; such workers probably dislike undesirable working conditions in larger firms, such as greater dependence on laws, fewer freedom of action, and a more impersonal working environment. It is logical that, as family firms grow in size, the number of family members available for job positions, and the abilities and knowledge they possess, will be less sufficient to satisfy the increasing needs of the company. It seems obvious that, as family firms grow in size, their managers will adopt employment techniques of larger companies, including the use of more sophisticated criteria when deciding the recruitment of employees. (Lussier & Sonfield, 2008) For all these points mentioned, workers in large firms are believed to be more educated, have more work experience... It is about time to test whether this statement is again true or not.

Consequently, we want to test whether larger firms have a higher average proportion of qualified employees, regardless of being a family firm or not. It is formulated as follows:

**Hypothesis 2** Larger firms have a higher average proportion of qualified employees

In the third place and contrary to common belief, family firms are not limited to small-size businesses that are mostly thought to recruit family members. In fact, there are as well large family firms' businesses (Breda, 2018). Considering Spanish family firms, this could be the case of El Corte Inglés, Europe's biggest department store or the worldwide known Santander bank, among others. Thus, there are large, internationally active family businesses and, even more, the available data shows that some of the largest European companies are indeed family businesses. However, according to a study from Barcelona's IESE Business School, there has been a decrease in large Spanish family business in the last years. The next hypothesis to be tested can be summarized by the general belief that family firms are in mean smaller than non-family firms (Cumming, 2012). Indeed, it is believed that most Spanish SMEs are family businesses and at the same time it is thought that the majority of family businesses are also SMEs. Therefore, similar to the European economy in general, the Spanish family business sector is supposed to be dominated by SMEs. (Mandl, 2008). With the testing of this hypothesis, it could be confirmed whether family firms are in mean smaller in size. Firms size is going to be measured in terms of number of employees.

We want to test whether the average size of family firms is smaller than the average size of non-family firms, following the employees' number criterion:

**Hypothesis 3** Family firms are smaller in terms of size (number of employees)

Lastly, although it has been mentioned in the above lines several researches that support our hypotheses and personal assumptions, the vast majority of literature do not provide an

analysis of these three topics altogether, in fact, in previous literature, the analysis has been focused mainly on two of these three topics. Therefore, this new hypothesis that considers all factors might be of high significance since there is no existing literature regarding these three topics and might reveal some relevant conclusions with respect to the family firms' background.

So, at this point, it would be interesting to test whether it is true that large family firms have a lower average proportion of qualified employees comparing with that of large non-family firms. That is, it must be proved that family firms have a lower average proportion of qualified employees in comparison of non-family firms, regardless of its size. For this purpose, it must be removed the distorting effect that company size could have. Therefore, three different analysis must be done for each size of company, i.e. small, medium and large. The formulation of the fourth hypotheses is the following:

**Hypothesis 4** Large family firms have a lower average proportion of qualified employees in comparison with large non-family firms

### 3. METHODOLOGY

#### 3.1 Sample and data

The above hypotheses are tested on a sample of 7106 Spanish manufacturing firms. The data is provided by the SEPI Foundation, specifically, the data is taken from the Survey on Business Strategies (*Encuesta sobre Estrategias Empresariales*). The SEPI Foundation executes a panel survey of Spanish manufacturing firms on a yearly basis. The survey has been conducted since 1990. From 1990 onwards, around 1,800 firms are surveyed yearly responding to 107 questions that cover more than 500 specific fields, this survey includes information on the firms' BS along with their P&L statements. (Foundation SEPI, 2020). The geographical scope of the ESEE is the whole national territory (Spain) and all variables measured have an annual time reference. The units surveyed are selected combining exhaustiveness and sampling random criteria, depending on the number of companies' employees. That is, companies with more than 200 employees are forced to participate in the survey, whereas companies employing less than 200 employees are selected by stratified sampling criteria. (Rodríguez, 2011) The SEPI Foundation preserves the consistency and quality of the time series and produces the corresponding *Annual Report and Statistical Tables*. One of the most relevant characteristics of the ESEE is its representativeness. The initial selection of companies was carried out by combining exhaustiveness and random sampling criteria and special attention has been paid to maintaining their representativeness in relation

to the reference population. This representativeness is crucial for the purpose of our study. Indeed, efforts have been oriented, on the one hand, to reduce as much as possible the deterioration of the initial sample, by avoiding the decline of the companies' collaboration and, on the other hand, to incorporate every year into the survey all the newly created companies with more than 200 workers and a randomly selected sample that represents 5% of the new companies between 10 and 200 workers. It might be highlighted that the ESEE's worth is its provision of a rich and high-quality database which sustains a wide empirical economic research carried out by both the internal services of the Ministry of Industry and a growing number of researchers who request such data from the SEPI Foundation. The Foundation's continued efforts to complete the ESEE survey each year has led to a very important statistical base on the Spanish industry, with more than 20 million micro-data on more than 700 specific variables. (Foundation SEPI, 2020)

### **3.2 Measures: variables**

*Employee profile.* Employee profiles give us information of each and every member of the firm., it represents all types of employees that can be found in any firm. All firms should know relevant information about employee's skills since this will affect company's results. Our focus is on differences in employee profiles between family and non-family firms. Employees' profiles are measured according to four categories originally developed by Foundation SEPI. That is, there is a classification in the survey of the four different types of employees' profiles: (1) proportion of "blue-collar workers" over total workers (POBR), (2) proportion of "white-collar workers" over total workers, (3) proportion of medium graduates over total employees (PTIM) and (4) proportion of engineers and graduates over total employees (PIL). According to this classification, there are two variables that represent the least qualified workers, which are proportion of "blue-collar employees" (POBR) and proportion of "white-collar employees". Logically, "blue-collar employees" are less qualified than "white-collar employee", in fact, "blue-collar employees" are typically manual laborers or operators who do manual work, they do usually earn lower salaries. On the other hand, there are two variables, the proportion of medium graduates over total employees (PTIM) and the proportion of engineers and graduates over total employees (PIL), which represent the most qualified workers in firms since these people have a higher level of studies. These four variables can potentially give an overall picture of how is composed the workforce for each type of firm. Additionally, this measurement scale enables to classify employees' profile in a continuum depending on its qualifications or educational level, that is, PIL would be considered as the most qualified employees, followed by PTIM, PEMP and POBR. POBR

are, as mentioned before, production workers that do monotonous tasks. PEMP are employees such as personnel office, salesmen, technicians, cleaners... PTIM are medium-graduate employees, while PIL are engineers and graduates.

*Family firm.* There is no general agreement about the conceptualization of family firm term in the literature (Handler, 1989; Westhead & Cowlin, 1996 and 1997; Neubauer & Lank, 1998). There are three types of definition criteria that are commonly known worldwide. First, some authors define family firms as those organizations in which the majority of stock belongs to the members of one family (Donckels & Fröhling, 1991). Other authors, on the contrary have preferred to take a more subjective viewpoint connected to the perception of the business as a “family business” (Crow *et al.*, 1988). Thirdly, the family business has also been conceptualized according to who is actually in charge of the company, that is, taking into consideration the degree to which the management of the company is in the possession of the members of a single family. (Herrera, Larrán, & Sánchez, 2011, p. 6). According to Comblé and Colot (2006), there are three elements that should be given in order to classify a company as a family firm: control of capital by the family; active participation of a family member in the management of the company; and transmission or willingness to transmit the company to the next generation. Thus, the family firm is commonly defined as a family business that is controlled by the members of the same family in which the capital and, if appropriate, the management or governance are in the hands of the family (and individuals personally related to that family), that has the capacity to exercise sufficient influence over the business to control it, and whose strategic vision includes the purpose of giving it continuity in the hands of the next family generation. However, the characteristics most commonly used when defining a family firm are challenging to collect, if not impossible. (Astrachan, J.H. and Shanker, M.C., 2003). In our study and according to the survey formulation, the term of “family firm” is defined as any firm where the family group is actively involved in the control and/or management of the company, that is, the questionnaire states whether members of the owning family play an executive role in the company. 44.5% of the firms in our sample meet this definition.

*Firm size.* A basic measure of firms’ size is the number of employees. In fact, most analyses set firms’ size according to number of employees. For our study, total personnel employed can be logically considered as an indicator of firms’ size. In the survey, total personnel variable (PERTOT) specifically represents the quantity of employees employed in the firm at 31st December of the year under study. It ranges from 10 till 13091 employees. This variable might be included in our study since firm size may influence employee profile. For

example, bigger firms are more likely to have a higher proportion of qualified employees. Therefore, firm size is going to be measured according to the variable that represents the number of employees but the classification of firm's size is going to follow common standards, that is, small enterprises: between 10 and 49 persons employed; medium-size enterprises: with 50-249; large enterprises: with 250 or more persons employed. This definition is in accordance with the European Commission that defines SMEs as those firms having less than 250 persons employed. For doing such classification, a new variable has been constructed which is denominated as "TAMAÑO" (1=10-49; 2=50-249; 3=more than 250 workers)

### 3.3 Statistical analysis

Due to the fact that the sample is too large, the most suitable tool to be used in order to manage the data is SPSS since this program allows to work with large amount of data. The SPSS (Statistical Package for the Social Sciences) is an IBM-developed tool for statistical data analysis. Specifically, it is the most widely used statistical software worldwide as a tool for experimentation, research, and decision making. Depending on the hypothesis to be tested, we will use different tools. First, we perform a t-test for equality of means of independent samples to compare average proportion of employee profile of family versus non-family firms (hypothesis 1). In some cases, some additional variables have been constructed so as to test the desired hypotheses. We will use as well ANOVA test for testing some hypotheses.

The means, standard deviations, and zero-order correlations are shown in Table 2. 44.5% of the firms in the sample are family firms.

Table 2. Means, standard deviations, minimum and maximum and zero-order correlations

	Mean	Std. Dev	Min	Max	PIL	PTIM	PEMP	POBR	1. FAMILI	2. PERTOT	3. TAMAÑO
<b>PIL</b>	7,2426	8,4792	0	100	1	,331**	,425**	-,425**	,071**	,331**	,209**
<b>PTIM</b>	8,1672	10,1766	0	100	,331**	1	,278**	-,278**	,067**	,085**	,187**
<b>PEMP</b>	31,7345	18,1644	0	100	,425**	,278**	1	-1,000**	-0,003	-0,007	,094**
<b>POBR</b>	68,2671	18,1648	0	100	-,425**	-,278**	-1,000**	1	0,003	0,007	-,094**
<b>1. FAMILI</b>	1,5500	0,4970	1	2	,071**	,067**	-0,003	0,003	1	,090**	,082**
<b>2. PERTOT</b>	198,9500	656,0060	10	13091	,119**	,085**	-0,007	0,007	,090**	1	,395**
<b>3. TAMAÑO</b>	1,7000	0,7370	1	3	,209**	,187**	,094**	-,094**	,082**	,395**	1

\*\*Correlation is significant at a 0,01 level (2-tailed)

Source: ESEE. Own compilation based on the analysis of data obtained from ESEE survey (2016)

It might be highlighted that FAMILI variable takes value 1 when it is a family firm and 2 when it is a non-family firm. The principal variables for the analysis are the ones referring to employees' profile, that is, PIL, PTIM, PEMP and POBR. Since what we are measuring are proportions or percentages, values logically range from 0 to 100, which coincides with the



minimum and maximum of the variables studied, therefore, there are firms in which there is no employee of the type analyzed (when it takes the value 0) and there are firms in which 100% of employees are of that specific profile, when it takes the value 1.

As it can be appreciated in table 2, it is true to say that, in mean, the average proportion of “white-collar” workers is smaller, in comparison with the average proportion of “blue-collar” workers. At the same time, the lowest mean proportion concerning qualified employees (PTIM and PIL) corresponds to “PIL” which are unsurprisingly the employees who normally earn a higher salary since they do have higher education and qualifications. These employees typically do intellectual work and are consequently important to firms since they contribute in a great extent to the creation of value-added, they are indeed human capital for the businesses and are the most skilled workers.

## 4. RESULTS

### 4.1 Family firms and employee profile

The first hypotheses to be tested were the following:

$$H_0: \mu_F^{PIL} = \mu_{NF}^{PIL}; H_1: \mu_F^{PIL} \neq \mu_{NF}^{PIL};$$

$$H_0: \mu_F^{PTIM} = \mu_{NF}^{PTIM}; H_1: \mu_F^{PTIM} \neq \mu_{NF}^{PTIM};$$

$$H_0: \mu_F^{PEMP} = \mu_{NF}^{PEMP}; H_1: \mu_F^{PEMP} \neq \mu_{NF}^{PEMP}$$

$$H_0: \mu_F^{POBR} = \mu_{NF}^{POBR}; H_1: \mu_F^{POBR} \neq \mu_{NF}^{POBR}$$

To clarify,  $\mu_F^{PIL}$  refers to average proportion of engineers and graduates in family firms, while  $\mu_{NF}^{PIL}$  refers to average proportion of engineers and graduates in non-family firms.

To guess whether there exist significant differences between mean proportions of employees' profile in family and non-family firms, the most suitable tool to be applied is the t-test since the variable FAMILI does only have two categories: F (Family firms) and NF (Non-family firms). There are two assumptions that the sample must met in order to perform the t-test. It is assumed that the sample is independent and normally distributed (n=7106 firms) but, before looking to the t-test results, it should be tested whether the variance of employees' profile of family firms is equal to the variance of employees' profile of non-family firms. The homogeneity of variances will be tested through Levene's test. In Levene's test, the null hypothesis defends that variances are equal against the alternative that variances are different (heterogeneity) ( $H_0: \sigma^2_1 = \sigma^2_2$ ;  $H_1: \sigma^2_1 \neq \sigma^2_2$ ). The left part of the table corresponds to the results of “Levene's test for equality of variances”. As the significant level for two specific

employee's profile (POBR and PEMP) are greater than 0.05, the null hypothesis cannot be rejected. This is a signal of the homogeneity of variances for these two variables, POBR and PEMP, therefore, the first row should be examined. However, homogeneity of variances cannot be assumed for PIL and PTIM since p-value is significant (Sig/p<0.05). For these two specific cases in which homogeneity of variances cannot be assumed, SPSS makes a “variant” of the t-Student, applying to construct the contrast statistic that is an averaged variance between the variances of each group.

When observing the following table, it must be considered the result of Levene's test since depending on the result, the first row (when p<0.05) or the second row (when p>0.05) must be observed, it is represented in green the one we should be looking for. Rejecting the null hypothesis, implies that mean proportions are not equal between family and non-family firms and therefore there would be differences in average proportions of employee profile in family and non-family firms.

Table 3. Independent samples test for employee profile

Independent Samples Test										
EMPLOYEE PROFILE		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean difference	Std. Error Difference	95% CI of the Difference	
									Lower	Upper
PIL	Equal variances assumed	44,853	0,000	-5,690	6473,000	0,000	-1,203	0,212	-1,618	-0,788
	Equal variances not assumed			-5,811	6468,775	0,000	-1,203	0,207	-0,161	-0,797
PTIM	Equal variances assumed	7,676	0,006	-3,499	2709,000	0,000	-1,373	0,392	-2,143	-0,604
	Equal variances not assumed			-3,527	2651,000	0,000	-1,373	0,390	-2,137	-0,610
PEMP	Equal variances assumed	1,881	0,170	0,218	5401,000	0,828	0,108	0,497	-0,866	1,083
	Equal variances not assumed			0,217	5081,408	0,828	0,108	0,499	-0,870	1,087
POBR	Equal variances assumed	1,869	0,172	-0,219	5401,000	0,827	-0,109	0,497	-1,083	0,866
	Equal variances not assumed			-0,218	5081,598	0,827	-0,109	0,499	-1,087	0,870

Source: ESEE. Own compilation based on the analysis of data obtained from ESEE survey (2016)

Table 3 shows the outcome of the t-test. The null hypothesis is rejected for PIL (p=0.00<0.05) and PTIM (p=0.00<0.05). This fact suggests that the average proportion of qualified employees (PIL and PTIM) is not the same in family and nonfamily firms. Indeed, there is significant evidence that the means of the “proportion of engineers and graduates” and of the “proportion of medium graduates” in family and non-family firms are different.

However, concerning PEMP, the t-statistic is 0.218 (with 5401 degrees of freedom) and p-value is 0.828(>0.05). Therefore, the null hypothesis cannot be rejected since the mean proportion of “blue-collar workers” in family and non-family firms is not statistically different at 5% significant level. The same occurs with the variable POBR where p-value is 0.827>0.05. On the whole, it does not seem that there are significant differences in the proportion of blue- and white-collar workers when considering family and non-family firms types.

Table 4 clearly shows descriptive statistics and it effectively seems that there exist differences between average proportions in the various employees’ profiles analyzed in family and non-family firms. The table indicates that family firms tend to have a lower proportion of qualified workers. However, it must be point out that depending on the result of the t-test that has been previously obtained, these results would be significant or not. As it has been argued, there are only significant differences for PIL and PTIM.

Table 4. Group Statistics for employee profile in family and non-family firms

EMPLOYEE PROFILE	FAMILI	Mean	Std. Dev.	Std. Error Mean
PIL	F	6,575	7,525	0,140
	NF	7,778	9,139	0,152
PTIM	F	7,405	9,742	0,280
	NF	8,779	10,476	0,201
PEMP	F	31,7944	18,5359	0,3773
	NF	31,6862	17,8616	0,3267
POBR	F	68,2069	18,5356	0,3773
	NF	68,3157	17,8627	0,3267

Source: ESEE. Own compilation based on the analysis of data obtained from ESEE survey (2016)

The first variable ought to be commented is PIL. As observed in Table 2 and 4, the mean proportion of “engineers and graduates” without any distinction between family and non-family firms is 7.2426%. However, the mean proportion of “engineers and graduates” for family-firms is 6.575%, while the mean proportion of “engineers and graduates” for non-family firms is 7.778% with a 1.203% of difference that might seem to be insignificant but depending on the number of workers, the difference might be thousands of people that do not have the skills of engineers or graduates. It is particularly remarkable this fact because it means that in mean family firms tends to have a lower proportion of qualified employees, in comparison with non-family firms.

Concerning PTIM variable, the mean proportion of medium graduates without any distinction between family and non-family firms is 8.1672%. However, the mean proportion of “medium graduates” for family-firms is 7.405%, while the mean proportion of “medium

graduates” for non-family firms is 8.779% with a 1.373% of difference between both family and non-family firms, which is again a significant difference.

## 4.2 Employee profile and size

It might be interesting to investigate and determine whether the size of the firm influences employee profiles too. Despite the fact that it has been successfully proved with our research that family firms have in mean a lower proportion of qualified employees, it cannot be denied that there are other factors that might explain this difference. Indeed, firms’ dimension might also influence employees profile. For the next hypothesis, no distinction between family and non-family firms is going to be made, consequently, only employee profile and size are going to be analyzed. As it has been mentioned in the hypotheses’ section, we want to test whether there exist significant differences between small, medium and large firms in the average proportion of employees between the different types of employees’ profile (PIL, PTIM, POBR and PEMP), this hypothesis has been named in the preceding section as hypothesis 2. The hypotheses to test are the following (for the four types of employee’s profile):

$$H_0: \mu_1^{PIL} = \mu_2^{PIL} = \mu_3^{PIL}; \quad H_1: \mu_1^{PIL} \neq \mu_2^{PIL} \neq \mu_3^{PIL} \quad (1: \text{small}; 2: \text{medium}; 3 \text{ large})$$

$$H_0: \mu_1^{PTIM} = \mu_2^{PTIM} = \mu_3^{PTIM}; \quad H_1: \mu_1^{PTIM} \neq \mu_2^{PTIM} \neq \mu_3^{PTIM}$$

$$H_0: \mu_1^{PEMP} = \mu_2^{PEMP} = \mu_3^{PEMP}; \quad H_1: \mu_1^{PEMP} \neq \mu_2^{PEMP} \neq \mu_3^{PEMP}$$

$$H_0: \mu_1^{POBR} = \mu_2^{POBR} = \mu_3^{POBR}; \quad H_1: \mu_1^{POBR} \neq \mu_2^{POBR} \neq \mu_3^{POBR}$$

where  $\mu_1^{PIL}$  represents average proportion of engineers and graduates (PIL) in small firms,  $\mu_2^{PIL}$  represents average proportion of engineers and graduates in medium firms and  $\mu_3^{PIL}$  represents average proportion of engineers and graduates in big firms

First of all, homogeneity of variances must be tested through Levene’s Test, it is the same test that has been done previously. As observed in Table 5, p (Sig.) is less than 0.05 in all cases so that homogeneity of variances can be assumed.

Table 5. Test of Homogeneity of Variances

EMPLOYEE PROFILE	Levene's Statistic	df1	df2	Sig.
PIL	41,009	2	6472	0,000
PTIM	13,515	2	2708	0,000
POBR	5,883	2	5400	0,003
PEMP	5,881	2	5400	0,003

Source: ESEE. Own compilation based on the analysis of data obtained from ESEE survey (2016)

In the previous case, the variable analyzed was made of two categories, however, size of firms is composed of three categories: small, medium and large. Therefore, the suitable statistical tool to be used is ANOVA test.

Table 6. ANOVA for employee profile according to firms' size

EMPLOYEE PROFILE		Sum of Squares	df	F	Sig
PIL	Between Groups	20311,196	2	147,653	0,000
	Within Groups	445145,858	6472		
	Total	465457,054	6472		
PTIM	Between Groups	9787,226	2	48,924	0,000
	Within Groups	270868,412	2708		
	Total	280655,638	2708		
PEMP	Between Groups	17145,21	2	26,225	0,000
	Within Groups	1765213,09	5400		
	Total	1782358,3	5400		
POBR	Between Groups	17165,801	2	26,255	0,000
	Within Groups	1765277,51	5400		
	Total	1782443,31	5400		

Source: ESEE. Own compilation based on the analysis of data obtained from ESEE survey (2016)

With respect to ANOVA's test, it might be highlighted the fact that "within groups" represents the variability or dispersion that is not explained by the categoric variable and that would be explained by chance. F-Snedecor is 147.653, 48.924, 26.225, 26.225, respectively and p-value is 0.000 in the four cases (significant). Consequently, we can conclude by saying that "size of the firm and employee profile are associated"; we cannot accept the null hypothesis that average proportion of employee profile is equal for the different firms' size. Therefore, firms' size might influence proportions of employee profile

In table 7, a summary of descriptives can be seen. Means and their respective CI<sub>95%</sub>, standard deviations and minimum and maximum values are also shown.

Table 7. Descriptives of employee profile according to firms' size

PROFILE & SIZE		Mean	Std. Dev	Std. Error Mean	95% Confidence		Min	Max
					Lower	Upper		
PIL	1 (SMALL)	5,600	7,689	0,140	5,326	5,874	0,000	50,000
	2 (MEDIUM)	7,876	8,186	0,168	7,546	8,205	0,000	100,000
	3 (BIG)	10,469	9,995	0,305	9,871	11,067	0,000	59,800
	Total	7,243	8,479	0,105	7,036	7,449	0,000	100,000
PTIM	1 (SMALL)	6,370	9,234	0,258	5,863	6,877	0,000	100,000
	2 (MEDIUM)	8,969	10,096	0,321	8,338	9,599	0,000	72,100
	3 (BIG)	11,519	11,745	0,555	10,428	12,610	0,000	64,400
	Total	8,167	10,177	0,195	7,784	8,550	0,000	100,000
PEMP	1 (SMALL)	30,368	18,094	0,359	29,664	31,073	0,000	100,000
	2 (MEDIUM)	31,813	17,558	0,394	31,039	32,586	0,000	97,300
	3 (BIG)	35,480	19,165	0,645	34,214	36,745	0,000	98,500
	Total	31,735	18,164	0,247	31,250	32,219	0,000	100,000
POBR	1 (SMALL)	69,635	18,094	0,359	68,930	70,339	0,000	100,000
	2 (MEDIUM)	68,188	17,558	0,394	67,415	68,961	2,700	100,000
	3 (BIG)	64,520	19,165	0,645	63,255	65,786	1,500	100,000
	Total	68,267	18,165	0,247	67,783	68,752	0,000	100,000

Source: ESEE. Own compilation based on the analysis of data obtained from ESEE survey (2016)

As it has been proved that firms' size might influence employee profiles, it might be commented the fact that in PIL, PTIM and PEMP, the mean proportion increases as firms' size increases, while in the case of POBR the mean proportion of "obreros" decreases as firms' size increases, as appreciated in table 8 in the column denominated as "Mean". Consequently, it is evident that the higher the firms' size or number of employees in the enterprise, the higher PIL, PEMP and PTIM. While the lower the number of employees, the higher the POBR, which is the variable that better represents the less qualified workers. It can be therefore stated that the average proportion of qualified employees is higher in big firms. As it has been already mentioned and proved, family firms are usually SMEs (small and medium firms), and this smaller size can explain also the fact that family firms have in mean less qualified or more low-skilled employees.

### 4.3 Family firms and size

The main aim is to determine whether the size of family firms is different from the size of non-family firms (in terms of numbers of employees) or, in other words, whether family firms have in mean a lower average number of employees with respect to non-family firms. It is widely known that family firms do usually have a lower size in comparison with non-family firms. To test the veracity of this statement, it makes no sense to use TAMAÑO variable. Instead, it is more convenient to use the variable named as "PERTOT" which represents the total number of personnel in each company. Therefore, two variables are going to be used: PERTOT and FAMILI.

The formulation of the hypothesis is the following:

$$H_0: \mu_F = \mu_{NF}; \quad H_1: \mu_F \neq \mu_{NF}$$

where  $\mu_F$  represents average number of employees in family firms,  $\mu_{NF}$  represents average number of employees in non-family firms

Again, to guess whether there exist significant differences between average number of employees in family and non-family firms, the most suitable tool to be applied is the t-test since the variable FAMILI does only have two categories: F (Family firms) and NF (Non-family firms). There are two assumptions that the sample must met in order to perform the t-test. It is assumed that the sample is independent and normally distributed ( $n=7106$  firms) but, before looking to the t-test results, it should be tested whether the variance of number of employees' in family firms is equal to the variance of number of employees' in non-family

firms, as in the case of hypothesis 1. The steps followed are not going to be explained again. To summarize, when analyzing table 9, it must be considered the result of Levene's test since depending on the result, the first row (when  $p < 0.05$ ) or the second row (when  $p > 0.05$ ) must be observed, it is represented in green the one we should be looking for, depending on whether homogeneity of variances can be assumed or not. Rejecting the null hypothesis, implies there would be differences in average number of employee profile in family and non-family firms.

Table 9. Independent samples test for family and size

<b>Independent Samples Test</b>										
<b>FAMILI &amp; SIZE</b>		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
<b>PERTOT</b>	Equal variances assumed	108,343	0,000	-7,287	6473,000	0,000	-119,050	16,338	-151,078	-87,023
	Equal variances not assumed			-7,824	5289,303	0,000	-119,050	15,217	-148,881	-89,219

Source: ESEE. Own compilation based on the analysis of data obtained from ESEE survey (2016)

Table 9 shows the outcome of the t-test. The null hypothesis is rejected ( $p = 0.00 < 0.05$ ). This fact suggests that the average number of employees in family and non-family firms is different. Indeed, there is significant evidence that the means of the “number of employees” in family and non-family firms are different. Even though it has been demonstrated the fact that “average number of employees” are different, for the purpose of our study it would be interesting to know whether there is a positive or negative difference so as to verify whether family firms do have a lower average number of employees, compared to non-family firms. For this aim, it is convenient to observe the following table where the different means are represented:

Table 10. Group Statistics for number of employees in family and non-family firms

<b>FAMILI &amp; SIZE</b>	<b>FAMILI</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>Std. Error Mean</b>
<b>PERTOT</b>	<b>F</b>	132,910	374,525	6,975
	<b>NF</b>	251,960	810,527	13,524

Source: ESEE. Own compilation based on the analysis of data obtained from ESEE survey (2016)

As observed in Table 10, the mean number of employees in family firms is 132 workers, while the mean number of employees in non-family firms is significantly larger, that is, 251 employees. Consequently, the initial hypothesis is true since family firms are significantly

smaller in terms of size (number of employees). This means that, in mean, family firms tends to have a lower average number of employees, in comparison with non-family firms.

#### 4.4 Family firms, employee profile and size

It might be tested whether family firms do have lower mean proportion, even after differentiating among the three firms' sizes. That is, to test whether large family firms have indeed a lower average proportion of qualified employees in comparison with large non-family firms. This hypothesis applies also for medium and small firms. We therefore want to test these three factors (employee profile, firms' size and belonging to a family firm) simultaneously. For doing so, it is necessary to conduct an ANOVA test for each type of firms' size, that is, a total of 12 hypotheses must be tested. Results will be presented following size's criterion:

##### Size=1 (Small firms)

$$\begin{aligned} H_0: \mu_F^{PIL} &= \mu_{NF}^{PIL}; & H_1: \mu_F^{PIL} &\neq \mu_{NF}^{PIL}; \\ H_0: \mu_F^{PTIM} &= \mu_{NF}^{PTIM}; & H_1: \mu_F^{PTIM} &\neq \mu_{NF}^{PTIM}; \\ H_0: \mu_F^{POBR} &= \mu_{NF}^{POBR}; & H_1: \mu_F^{POBR} &\neq \mu_{NF}^{POBR}; \\ H_0: \mu_F^{PEMP} &= \mu_{NF}^{PEMP}; & H_1: \mu_F^{PEMP} &\neq \mu_{NF}^{PEMP} \end{aligned}$$

where  $\mu_F^{PIL}$  refers to average proportion of engineers and graduates in family firms, while  $\mu_{NF}^{PIL}$  refers to average proportion of engineers and graduates in non-family firms.

##### Size =2 Medium firms

$$\begin{aligned} H_0: \mu_F^{PIL} &= \mu_{NF}^{PIL}; & H_1: \mu_F^{PIL} &\neq \mu_{NF}^{PIL}; \\ H_0: \mu_F^{PTIM} &= \mu_{NF}^{PTIM}; & H_1: \mu_F^{PTIM} &\neq \mu_{NF}^{PTIM}; \\ H_0: \mu_F^{PEMP} &= \mu_{NF}^{PEMP}; & H_1: \mu_F^{PEMP} &\neq \mu_{NF}^{PEMP}; \\ H_0: \mu_F^{POBR} &= \mu_{NF}^{POBR}; & H_1: \mu_F^{POBR} &\neq \mu_{NF}^{POBR} \end{aligned}$$

##### Size=3 Large firms

$$\begin{aligned} H_0: \mu_F^{PIL} &= \mu_{NF}^{PIL}; & H_1: \mu_F^{PIL} &\neq \mu_{NF}^{PIL}; \\ H_0: \mu_F^{PTIM} &= \mu_{NF}^{PTIM}; & H_1: \mu_F^{PTIM} &\neq \mu_{NF}^{PTIM}; \\ H_0: \mu_F^{PEMP} &= \mu_{NF}^{PEMP}; & H_1: \mu_F^{PEMP} &\neq \mu_{NF}^{PEMP}; \\ H_0: \mu_F^{POBR} &= \mu_{NF}^{POBR}; & H_1: \mu_F^{POBR} &\neq \mu_{NF}^{POBR} \end{aligned}$$



Firstly, homogeneity of variances is going to be assumed. ANOVA test is going to be performed for each specific case (small, medium and large) and results are shown in the following tables.

Table 11. ANOVA for employee profile and family firms in SMALL firms

EMPLOYEE & SIZE & FAMILI		Sum of Squares	df	Mean Square	F	Sig
PIL	Between Groups	316,480	1	316,480	5,361	0,021
	Within Groups	178507,979	3024	59,030		
	Total	178824,460	3025			
PTIM	Between Groups	229,408	1	229,408	2,694	0,101
	Within Groups	108479,716	1274	85,149		
	Total	108709,125	1275			
PEMP	Between Groups	636,358	1	636,358	1,945	0,163
	Within Groups	829264,071	2534	327,255		
	Total	829900,429	2535			
POBR	Between Groups	638,737	1	638,737	1,952	0,163
	Within Groups	829313,265	2534	327,274		
	Total	829952,002	2535			
a. TAMAÑO = 1						

Source: ESEE. Own compilation based on the analysis of data obtained from ESEE survey (2016)

Table 12. ANOVA for employee profile and family firms in MEDIUM firms

EMPLOYEE & SIZE & FAMILI		Sum of Squares	df	Mean Square	F	Sig
PIL	Between Groups	381,501	1	381,501	5,704	0,017
	Within Groups	158637,427	2372	66,879		
	Total	159018,928	2373			
PTIM	Between Groups	564,434	1	564,434	5,563	0,019
	Within Groups	99931,985	985	101,454		
	Total	100496,419	986			
PEMP	Between Groups	50,678	1	50,678	0,164	0,685
	Within Groups	610937,259	1981	308,398		
	Total	610987,937	1982			
POBR	Between Groups	50,591	1	50,591	0,164	0,686
	Within Groups	610950,196	1981	308,405		
	Total	611000,787	1982			
a. TAMAÑO = 2						

Source: ESEE. Own compilation based on the analysis of data obtained from ESEE survey (2016)

Table 13. ANOVA for employee profile and family firms in LARGE firms

EMPLOYEE & SIZE & FAMILI		Sum of Squares	df	Mean Square	F	Sig
PIL	Between Groups	969,271	1	969,271	9,781	0,002
	Within Groups	106333,199	1073	99,099		
	Total	107302,471	1074			
PTIM	Between Groups	66,576	1	66,576	0,482	0,488
	Within Groups	61596,293	446	138,108		
	Total	61662,869	447			
PEMP	Between Groups	133,941	1	133,941	0,364	0,546
	Within Groups	324190,778	882	367,563		
	Total	324324,719	883			
POBR	Between Groups	133,941	1	133,941	0,364	0,546
	Within Groups	324190,778	882	367,563		
	Total	324324,719	883			
a. TAMANO = 3						

Source: ESEE. Own compilation based on the analysis of data obtained from ESEE survey (2016)

Rejecting the null hypothesis, implies that mean proportions of employees' profile between family and non-family firms are not equal in each firms' size category. In the light of the results of the three preceding tables, it can be stated that there are no significant differences in the mean proportion of PEMP and POBR between family and non-family firms in neither small, medium and large firms. That is, there is no significant evidence that the average proportions of PEMP and POBR differ if the three conditions (family, size and employee profile) are considered at the same time. In conclusion, it cannot be said that the proportion of white and blue-collar workers is different in small, medium and large family firms, comparing with the mean proportions of small, medium and large non-family firms. They consequently do have the same mean proportions of these kind of workers.

However, for the cases of PIL and PTIM it is a different story.

With respect to the proportion of engineers and graduates (PIL), the null hypotheses can be rejected in the three cases as p-value is smaller than 0.05 in all of them, meaning that the mean proportion of engineers and graduates between family and non-family firms is not equal for small, medium and large firms. That is, in mean, family firms do have a lower average proportion of engineers and graduates (qualified employees) than non-family firms, considering separately every single type of firms' size.

Concerning the proportion of medium graduates (PTIM), it might be highlighted the fact that the null hypothesis can only be rejected, at a 5% significance level, for the case of medium-sized firm. That is, in medium-sized firms, there exist significant differences in the mean proportions of medium graduates comparing family and non-family firms ( $p=0.019<0.05$ ), as observed in Table 12. It might be added that, for small firms, if we consider a 10% significance level, the null hypothesis can also be rejected, although it is quite

on the limit, it can also be said that the mean proportion of medium graduates between family and non-family firms in small firms is not the same.

To analyze descriptive statistics, the only variable that is going to be examined is PIL for different reasons. First, because it is the one that best represents qualified employees, the ones we are most interested in and, second, because it is the only variable in which mean proportions of family and non-family firms significantly differ in all firms' sizes. Despite it has been proved that the mean proportion of engineers and graduates is different in family and non-family firms, it would be convenient to verify whether family firms do have a lower (or higher) mean "PIL", compared to non-family firms. Table 14 shows the means, standard deviations and standard error mean of the variable PIL for small, medium and large family and non-family firms. This table is crucial to verify our initial intuition.

Table 14. Descriptives of PIL according to FAMILI and SIZE

PIL	FAMILI	Mean	Std. Dev	Std. Error
SMALL 1	F	5,254	37,062	0,663
	NF	5,902	99,448	1,590
MEDIUM 2	F	7,452	7,292	0,218
	NF	8,255	8,895	0,251
LARGE 3	F	9,103	9,734	0,520
	NF	11,129	10,060	0,374

Source: ESEE. Own compilation based on the analysis of data obtained from ESEE survey (2016)

As it can be appreciated in Table 14, the mean proportion of engineers and graduates is smaller in family firms, compared to non-family firms, in each size analyzed. In addition, it might be highlighted the fact that the greater the size, the higher the difference in mean proportions. It is remarkable that the average proportion of qualified employees in large family firms is 9.103%, in contrast with 11.129% of large non-family firms. For small and medium firms, it is obvious that family firms have a smaller proportion of engineers and graduates as can be appreciated in Table 14, although the difference in mean proportion is smaller, it is still significant.

To conclude, it must be said that this last hypothesis is crucial for our analysis since all factors that might have an influence on the result are considered at the same time. On the basis of these findings, it would seem that family firms, regardless of its size, do show a lower mean proportion of qualified employees in comparison with non-family businesses. This result is relevant because it means the proportion of the most qualified employees (graduates and engineers) is not the same in these two types of firms. In the next section, the implication and reasoning behind this result is going to be commented.

## 5. DISCUSSION AND CONCLUSION

### 5.1 Discussion of findings

The main purpose of this paper was to analyze in depth the employee profile in family firms. For doing so, non-family and family firms have been studied, since it is interesting to compare these two different backgrounds. Family firms have been traditionally excluded from many researches concerning this aspect but the magnitude of family firms has revealed the importance of studying as well family firms' employee composition and thus increase the scope of study. The paper tries to identify whether belonging to a family firm might be associated with a lower proportion of qualified employees. Therefore, the central hypothesis of this paper was built from the intuition that family firm's employees' profiles are different from non-family firms' employee profiles. To sum up, we wanted to determine if there are differences between employee's profile proportions in family and non-family firms and it has been proved that actually there are. All the topics contemplated at the beginning have been successfully covered and the main finding has been that the percentage of qualified workers (PIL) also differs if considering only a specific type of firms' size alone. From our last and most relevant hypothesis, it might be concluded that, even differentiating among small, medium and large firms, family businesses have, in mean, a lower proportion of engineers and graduate workers, in comparison with non-family ones.

We have seen through our study that having qualified employees is positive and extremely important for future company's success and for building long-term competitive advantages. Even decades ago, numerous experts already commented on the positive impact of having qualified workers in companies. Westhead (1997) suggested that in what concerns employees, higher formal education indicates greater human capital. So, it appears that the more educated the employees are, the more human capital the firm possesses, since it is believed that qualified people can generate more and better ideas for innovation. Amabile (1988), Bantel & Jackson (1989) argued that teamwork built by highly trained workers increases the effectiveness among R&D projects and shows higher creative behavior. Damanpour (1991), in the same vein, affirmed that diversity in knowledge and expertise enable more different groups to be formed from which strategic partnerships will develop and contribute substantially to add significant value to innovation outcomes.

At this point, it is reasonable to ask the following question: why family firms have, in mean, less proportion of qualified workers? A possible answer would have been the fact that family firms tend to be smaller and this could explain the fact of having less-qualified employees,

regardless of being a family or non-family firm. Family firms are usually SMEs. In times of globalization, SMEs firms are living tough times, fighting against big successful multinationals and struggling to survive. Therefore, it is up to some point unsurprising that family firms (especially SMEs ones) have less-educated workers since it is a way of lowering costs as less-qualified workers are supposed to be less expensive for firms because of their low salaries. Although in the short term this “underqualified” employee profile might seem advantageous, in the long-term it has been proved that it is the other way around. Apart from this, it has been seen through our analysis and testing of the fourth hypothesis that this reason can be rejected since even isolating and analyzing only SMEs companies separately, there are still differences among family and non-family firms. In other words, small family firms do also have a lower percentage of graduates, in comparison with small non-family businesses.

Another possible answer would be the selection criteria that family businesses usually follow. Due to the fact that family firms have to balance the interest of family members, non-family members and the company's itself, it is reasonable to believe that HR practices in family firms differ from other types of business. Family firms are characterized by a unique property-family-business relationship that makes not only economic results important, but there are also other values that are essential for these companies, such as loyalty, trust, equity... (Carrasco-Hernández & Marín-Sánchez, 2014). In companies where ownership and family involvement in the business is important, these HR practices are usually developed in a particular manner. (De Kok, Uhlaner, & Thurik, 2006). In fact, there are some companies that show a clear orientation towards family members in decisions of selection and promotion sacrificing employees with no family ties. This can be an explanation of the fact that employees in family firms have in mean less educational level. Perhaps instead of basing their decision on purely educational or skills criteria, they base their decisions on whether these candidates belong to the family or not, disregarding their level of education or skills. This decision clearly has a negative impact on family firms' performance since they are not recruiting the best candidates possible. Likewise, non-family members might feel dissatisfied and less motivated because they would feel that they are not being recognized in the firm because other colleagues enjoy higher job positions without any apparent merit. In the case of choosing family members without reasonable criteria, this would lead to possible conflicts of interest between non-family employees and family firms. (Schulze *et al.*, 2001) However, it must be said that not all family firms follow this criterion, on the contrary, there are some family firms that look for equity and try to compensate the number of family and non-family workers in the firm. As stated in the introduction, when family firms increase in size, they do

not have an option but to recruit nonfamily members. To sum up, it must be said that firms should put a great effort on choosing the best candidates possible since a competitive workforce would lead undoubtedly to better results and they should accordingly disregard family members who are under skilled.

So, to be competitive in the market, family firms should be able to hire the best and most competent workers possible. Indeed, qualified/educated workers are the ones that contribute on a greater extent to human capital and value-added creation. These employees are believed to perform better as they have more tools or skills to solve problems or unforeseeable situations. Another point to make is that companies which invest in qualified employees *“are likely to experience a greater return on their investment and higher profitability as compared to companies that opt for a less educated staff in the long-run. Furthermore, well-educated individuals are more goal oriented, delivering better work performance than less-educated employees.”* (Cipoletti, 2017). This can be explained by the fact that educated employees have developed in their education competencies that non-educated employees have not, they are more capable to analyze, reflect, research or innovate. It is also thought that qualified employees develop their tasks with less mistakes and in a more productive and efficient way. Even though it is important to have qualified employees, it is also obvious that there are some jobs that do not require a big qualification. This can be illustrated by the fact that mostly all firms have a determined proportion of blue-collar workers that do monotonous tasks. Nevertheless, this does not deny the crucial role that qualified employees play in firms.

On the other hand, it cannot be forgotten the fact that we are analyzing Spanish family firms. Spain is a Mediterranean country which is characterized by a well-rooted culture in which recommendations of friends or relatives play a big role in the private labor market. In Spanish, this phenomenon is denominated as “dedocracia” or “enchufocracia”, which can be easily understood with the following sentence: “it is not what you know but who you know”. This practice has been mentioned in the preceding pages and is commonly known as nepotism. Indeed, a high percentage of job offers do not come to light because they are covered by someone who is recommended. This practice has undoubtedly direct consequences on the economy. According to CIS, half of the Spanish workforce has found their work thanks to personal contacts. Although this theory can be applied to both family and non-family firms, it is believed that family firms are the ones that have more freedom when deciding who to hire and they particularly share a culture in which family and relatives usually comes first. This practice is contrary to the so-called “meritocracy” and can undermine family firms’ results and, what is more, it can decrease motivation of qualified

employees who do not have such luck. If family firms alike were to hire the best and more qualified workers and avoid “nepotism”, it would make family firms and the overall economy stronger.

## 5.2 Conclusion

In this paper, the existing employee profiles of family and non-family firms have been analyzed. For this purpose, a database has been used which compiles employee profiles of 7106 different Spanish firms and ESEE database has been filtered to the variables we are most interested in, a new variable has been coded to represent the three different sizes of firms so as to proceed the corresponding analyses. The conclusions that have been drawn are the following:

Firstly, the null hypothesis that the mean proportions of employee profiles is different in family and non-family firms has been tested. The result show statistically significant differences for mean PIL and PTIM and results are not statistically significant for mean PEMP and POBR. It has been demonstrated our initial intuition that family firms do have a lower average proportion of PIL and PTIM, in comparison with non-family firms.

Secondly, it has been checked whether there are differences in employee profiles between different sizes of firms. As a measure of firms’ size, TAMAÑO variable has been used. After comparing the difference in means, it was found that there are significant differences in proportions of employee profiles considering firms’ size. Indeed, large firms have in mean a higher average percentage of qualified employees. Apparently, the higher the firms’ size, the higher the proportion of qualified employees.

The third null hypothesis was that average number of employees is significantly different in family and non-family firms and it has been successfully proved that the “average number of employees” is smaller in family firms. Indeed, nonfamily firms do have an almost doubled "average number of employees" in comparison with the average employees of family firms.

Last but not least, it has been tested whether there are differences in employee profiles of small, medium and large family and non-family firms. The result is statistically significant for PIL in the three firms’ size, and for PTIM in medium firms. This has been the main finding of the research because considering all the factors altogether that might influence the results, it has been proved that employee profiles are truly different in family and non-family companies regardless of its size. Specifically, family-run businesses do have a lower proportion of engineers and graduates in small, medium and big firms, compared with non-family businesses.

As an open question for future research, it might be interesting to study the influence of these different employee profiles on other variables such as employees' motivation, productivity or human capital. Indeed, after doing the reflection analysis in the preceding section, it would be interesting to verify whether a less qualified staff effectively lead to worse economic results. In principle, a more qualified workforce should lead to higher levels of productivity and value added since the staff would be more competent, and this would have a positive impact on the company's results. It would also be useful to reflect on whether there exist other variables that might explain these differences in employee profiles of family and non-family firms.

Given the role of family firms in the current society, it would be of great interest to analyze, for example, the impact that suitable employment policies would have on family firms results. Likewise, it cannot be forgotten that nepotism plays a big role in a market of the characteristics of Spain. It could also be interesting to study why employee profiles changes so much depending on firms' size and why big firms do usually have a higher proportion of qualified employees.

On the basis of the findings explained above, it would seem that although Spanish family firms are competitive, a large percentage of these firms are not aware of the importance of qualified workforce. My recommendation, therefore, is that every company should launch adequate employment policies so as to ensure that workers have the suitable skills required, and to provide training so as to make family firms' employees more skilled and competent. These employment policies would undoubtedly bring a number of benefits to family firms. If these suggestions were followed, the problem of less qualified employees in family firms would be certainly reduced, if not solved. It is simply a matter of working together to make the Spanish labor market fairer. It has not been proved to what extent employee composition influences company's results. However, as the possibility does exist, it might be wise to take precautionary measures such as those mentioned above. After all, as it is often said, "an ounce of prevention is worth a pound of cure". I feel certain that the best course of action would be to meet the family firms working needs by improving the workforce composition, by recruiting the most competent and deserving employees and by providing adequate training to them. This would make family businesses a fairer and better place to work.



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